

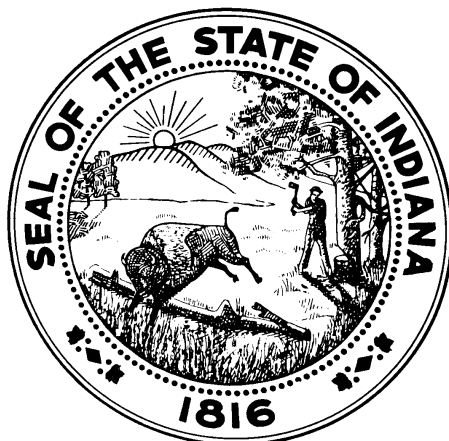
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2007

CITY OF UNION CITY

RANDOLPH COUNTY, INDIANA



FILED
09/09/2008

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Anita Amspaugh	01-01-04 to 12-31-11
Mayor	Roger Hoover Bryan Conklin	01-01-04 to 12-31-07 01-01-08 to 12-31-11
President of the Board of Public Works	Roger Hoover Bryan Conklin	01-01-04 to 12-31-07 01-01-08 to 12-31-11
President of the Common Council	Bryan Conklin Chad Spence	01-01-07 to 12-31-07 01-01-08 to 12-31-08
Superintendent of Water Utility	John Dull	01-01-07 to 12-31-08
Superintendent of Wastewater Utility	Scott Thompson	01-01-07 to 12-31-08
City Manager	Monte Poling	01-01-07 to 12-31-08



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE CITY OF UNION CITY, RANDOLPH COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Union City (City), as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2007, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated August 18, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedules of Funding Progress, Schedule of Contributions From the Employer and Other Contributing Entities, as listed in the Table of Contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

August 18, 2008



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE CITY OF UNION CITY, RANDOLPH COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Union City (City), as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 18, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The City's response to the findings identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, Board of Public Works, Common Council, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 18, 2008

CITY OF UNION CITY
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2007

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 801,838	\$ 65,273	\$ 32,334	\$ 12,722	\$ (691,509)	\$ -	\$ (691,509)
Public safety	1,304,484	242,703	3,000	912	(1,057,869)	-	(1,057,869)
Highways and streets	469,076	1,160	172,908	22,643	(272,365)	-	(272,365)
Sanitation	125,927	123,939	-	-	(1,988)	-	(1,988)
Health and welfare	-	185	-	-	185	-	185
Economic development	420,649	-	140,112	-	(280,537)	-	(280,537)
Culture and recreation	173,339	21,772	16,781	-	(134,786)	-	(134,786)
Principal and interest on indebtedness	93,103	-	-	-	(93,103)	-	(93,103)
Total governmental activities	3,388,416	455,032	365,135	36,277	(2,531,972)	-	(2,531,972)
Business-type activities:							
Water	566,158	539,658	-	-	-	(26,500)	(26,500)
Wastewater	2,078,325	804,032	-	-	-	(1,274,293)	(1,274,293)
Total business-type activities	2,644,483	1,343,690	-	-	-	(1,300,793)	(1,300,793)
Total primary government	\$ 6,032,899	\$ 1,798,722	\$ 365,135	\$ 36,277	(2,531,972)	(1,300,793)	(3,832,765)
General receipts:							
Property taxes					1,508,239	-	1,508,239
Intergovernmental					540,388	-	540,388
Other local sources					110,604	23,149	133,753
Net proceeds from borrowings					-	1,387,404	1,387,404
Investment earnings					100,425	49,548	149,973
Total general receipts					2,259,656	1,460,101	3,719,757
Change in net assets					(272,316)	159,308	(113,008)
Net assets - beginning					2,759,263	626,668	3,385,931
Net assets - ending					\$ 2,486,947	\$ 785,976	\$ 3,272,923
<u>Assets</u>							
Cash and investments					\$ 2,005,323	\$ 349,445	\$ 2,354,768
Restricted assets:							
Cash and investments					-	135,379	135,379
Cash with fiscal agent					481,624	301,152	782,776
Total assets					\$ 2,486,947	\$ 785,976	\$ 3,272,923
<u>Net Assets</u>							
Restricted for:							
General government					\$ 47,998	\$ -	\$ 47,998
Public safety					62,189	-	62,189
Highways and streets					253,438	-	253,438
Economic development					117,999	-	117,999
Debt service					-	379,079	379,079
Other purposes					-	57,452	57,452
Unrestricted					2,005,323	349,445	2,354,768
Total net assets					\$ 2,486,947	\$ 785,976	\$ 3,272,923

The notes to the financial statements are an integral part of this statement.

CITY OF UNION CITY
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2007

	General	Motor Vehicle Highway	Rainy Day	Utilities	Economic Development Income Tax	Other Governmental Funds	Totals
Receipts:							
Taxes	\$ 848,951	\$ 344,927	\$ -	\$ 122,574	\$ -	\$ 191,787	\$ 1,508,239
Licenses and permits	-	-	-	-	-	730	730
Intergovernmental	469,126	172,908	48,865	20,147	140,112	90,642	941,800
Charges for services	10,500	-	-	123,939	-	278,945	413,384
Fines and forfeits	16,228	1,160	-	-	-	8,531	25,919
Other	100,523	170	14	842	60,239	64,240	226,028
Total receipts	1,445,328	519,165	48,879	267,502	200,351	634,875	3,116,100
Disbursements:							
General government	613,639	-	24,277	526	-	89,912	728,354
Public safety	1,003,783	-	-	63,655	-	173,684	1,241,122
Highways and streets	-	423,416	-	36,160	-	-	459,576
Sanitation	-	-	-	125,927	-	-	125,927
Economic development	-	-	-	-	283,256	731	283,987
Culture and recreation	-	-	-	-	-	141,876	141,876
Debt service:							
Principal	38,628	19,445	-	-	-	28,363	86,436
Interest	1,891	696	-	-	-	4,080	6,667
Capital outlay:							
General government	5,910	-	-	-	-	67,574	73,484
Public safety	17,000	-	35,693	-	-	10,669	63,362
Highways and streets	-	9,500	-	-	-	-	9,500
Economic development	-	-	-	-	52,260	84,402	136,662
Culture and recreation	-	-	-	-	-	31,463	31,463
Total disbursements	1,680,851	453,057	59,970	226,268	335,516	632,754	3,388,416
Excess (deficiency) of receipts over disbursements	(235,523)	66,108	(11,091)	41,234	(135,165)	2,121	(272,316)
Other financing sources (uses):							
Transfers in	4,135	26,644	-	-	-	7,068	37,847
Transfers out	-	-	-	-	-	(37,847)	(37,847)
Total other financing sources (uses)	4,135	26,644	-	-	-	(30,779)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(231,388)	92,752	(11,091)	41,234	(135,165)	(28,658)	(272,316)
Cash and investment fund balance - beginning	765,359	147,803	274,382	49,453	733,509	788,757	2,759,263
Cash and investment fund balance - ending	\$ 533,971	\$ 240,555	\$ 263,291	\$ 90,687	\$ 598,344	\$ 760,099	\$ 2,486,947
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ 533,971	\$ -	\$ 263,291	\$ 90,687	\$ 598,344	\$ 519,030	\$ 2,005,323
Restricted assets:							
Cash and investments	-	240,555	-	-	-	241,069	481,624
Total cash and investment assets - ending	\$ 533,971	\$ 240,555	\$ 263,291	\$ 90,687	\$ 598,344	\$ 760,099	\$ 2,486,947
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,998	\$ 47,998
Public safety	-	-	-	-	-	62,189	62,189
Highways and streets	-	240,555	-	-	-	12,883	253,438
Economic development	-	-	-	-	-	117,999	117,999
Unrestricted	533,971	-	263,291	90,687	598,344	519,030	2,005,323
Total cash and investment fund balance - ending	\$ 533,971	\$ 240,555	\$ 263,291	\$ 90,687	\$ 598,344	\$ 760,099	\$ 2,486,947

The notes to the financial statements are an integral part of this statement.

CITY OF UNION CITY
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2007

	Water Utility	Wastewater Utility	Totals
Operating receipts:			
Unmetered water receipts	\$ 55	\$ -	\$ 55
Metered receipts	396,479	784,102	1,180,581
Fire protection receipts	85,506	-	85,506
Penalties	6,503	12,928	19,431
Charges for services	35,095	7,002	42,097
Miscellaneous	39,275	49,442	88,717
Total operating receipts	562,913	853,474	1,416,387
Operating disbursements:			
Salaries and wages	170,593	179,532	350,125
Employee pensions and benefits	72,859	73,450	146,309
Equipment and capital improvements	51,747	1,416,204	1,467,951
Material and supplies	31,364	26,262	57,626
Contractual services	33,308	22,597	55,905
Repairs	53,515	38,367	91,882
Utilities	25,717	67,851	93,568
Insurance claims and expense	10,202	8,654	18,856
Taxes	30,563	-	30,563
Miscellaneous disbursements	13,315	14,202	27,517
Total operating disbursements	493,183	1,847,119	2,340,302
Excess (deficiency) of operating receipts over operating disbursements	69,730	(993,645)	(923,915)
Nonoperating receipts (disbursements):			
Net proceeds from borrowings	-	1,387,404	1,387,404
Debt service of principal	(50,000)	(135,000)	(185,000)
Interest disbursements	(22,975)	(96,206)	(119,181)
Total nonoperating receipts (disbursements)	(72,975)	1,156,198	1,083,223
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	(3,245)	162,553	159,308
Cash and investment fund balance - beginning	207,581	419,087	626,668
Cash and investment fund balance - ending	\$ 204,336	\$ 581,640	\$ 785,976
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 69,219	\$ 280,226	\$ 349,445
Restricted assets:			
Cash and investments	135,117	262	135,379
Cash with fiscal agent	-	301,152	301,152
Total cash and investment assets - December 31	\$ 204,336	\$ 581,640	\$ 785,976
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 77,665	\$ 301,414	\$ 379,079
Other purposes	57,452	-	57,452
Unrestricted	69,219	280,226	349,445
Total cash and investment fund balance - December 31	\$ 204,336	\$ 581,640	\$ 785,976

The notes to the financial statements are an integral part of this statement.

CITY OF UNION CITY
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2007

	Pension Trust Funds	Agency Funds
Additions:		
Contributions:		
Employer	\$ 140	\$ -
State	<u>36,138</u>	<u>-</u>
Total contributions	<u>36,278</u>	<u>-</u>
Agency fund additions	<u>-</u>	<u>1,822,411</u>
Total additions	<u>36,278</u>	<u>1,822,411</u>
Deductions:		
Benefits	70,918	-
Administrative and general	2,233	-
Agency fund deductions	<u>-</u>	<u>1,816,228</u>
Total deductions	<u>73,151</u>	<u>1,816,228</u>
Excess (deficiency) of total additions over total deductions	(36,873)	6,183
Cash and investment fund balance - beginning	<u>136,781</u>	<u>48,523</u>
Cash and investment fund balance - ending	<u>\$ 99,908</u>	<u>\$ 54,706</u>

The notes to the financial statements are an integral part of this statement.

CITY OF UNION CITY
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor Town Council form of government and provides the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, and urban redevelopment (and housing).

The City's financial reporting entity is composed of the following:

Primary Government: City of Union City

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The motor vehicle highway fund is the primary operating fund of the street department. It accounts for local distributions and state motor vehicle highway distributions and is used principally for the construction and maintenance of streets and alleys.

The rainy day fund is used to account for funds in accordance with Indiana Code 36-1-8-5.1 and a locally adopted ordinance.

The utilities fund receives local distributions and collection user fees billed to customers and disburses funds for streetlights, hydrant rental and contractual payments for garbage collection services.

CITY OF UNION CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

The economic development income tax fund accounts for county economic development income tax and rental income and is used to promote economic development for the City.

The City reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations, and collection systems.

Additionally, the City reports the following fund types:

The pension trust funds account for the activities of the firemen's pension and police pension funds, which accumulate resources for pension benefit payments.

Agency funds account for assets held by the City as an agent for individuals and other government agencies.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the water and wastewater. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services.

CITY OF UNION CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The City does not have any internal service funds.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

3. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

5. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

CITY OF UNION CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

CITY OF UNION CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the City submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision.

2. Investments

As of December 31, 2007, the City had the following investments:

CITY OF UNION CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Investment Type	Primary Government Market Value
U.S. treasuries and securities	\$ 301,152

Statutory Authorization for Investments

Indiana Code 5-13-9 authorizes the City to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the City to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the City and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the City may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the City's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy for custodial credit risk for investments.

CITY OF UNION CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2007, were as follows:

Transfer From	Transfer To	2007
Other governmental funds	General Fund	\$ 4,135
	Motor Vehicle Highway Fund	26,644
	Other governmental funds	7,068
		<u>37,847</u>
Total		<u>\$ 37,847</u>

The City typically uses transfers for cash flow purposes as provided by various statutory provisions.

IV. Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; medical benefits to employees, and dependents (excluding postemployment benefits); and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past year. There were no significant reductions in insurance by major category of risk. Risk financing is not utilized for the other risks of loss.

Job Related Illnesses or Injuries to Employees

During 1998, the City joined with other governmental entities to form the Indiana Public Employees Plan, Inc., a public entity risk pool currently operating as a common risk management and insurance program for 350 member governmental entities. This risk pool was formed in 1989. The purpose of the risk pool is to provide a medium for the funding and administration of workers compensation claims. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event.

B. Subsequent Events

Beginning in 2009, the State Pension Relief Fund shall pay to each unit of local government with Pre-1977 Local Police and Fire Fighter Pension obligations, the total amount of pension, disability, and survivor benefit payments. The Pre-1977 funds include the 1925 Police Pension Fund, the 1937 Firefighters' Fund, and the 1953 Police Pension Fund. For property taxes due and payable after December 31, 2008, the Department of Local Government Finance shall reduce the maximum permissible property tax levy of any civil taxing unit and special service district by the amount of the payment to be made in 2009 by the State for the obligations.

CITY OF UNION CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

In January 2008, the City was awarded a Community Development Block Grant in the amount of \$150,000. The City has received \$111,336 as of August 18, 2008.

C. Loans Receivable – Indiana Department of Commerce

These loans were made to various businesses for the purposes of establishing a new business and business expansion. During the year 2007, no new loans were issued and principal payments received on loans totaled \$23,676. The total balance of loans outstanding at December 31, 2007, was \$35,678.

D. Rate Structure – Enterprise Funds

Water Utility

On April 14, 1997, the Common Council adopted Ordinance 97-3 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on October 30, 2006.

Wastewater Utility

The current rate structure was approved by the Common Council on November 15, 2006.

Trash Utility

The current rate structure was approved by the Common Council on December 11, 2007.

E. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

CITY OF UNION CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available.

b. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The City's annual pension cost and related information as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

c. 1937 Firefighters' Pension Plan

Plan Description

The City contributes to the 1937 Firefighters' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

CITY OF UNION CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

Actuarial Information for the Above Plans

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Annual required contribution	\$ 41,198	\$ 31,900	\$ 24,200
Interest on net pension obligation	(1,090)	2,100	1,100
Adjustment to annual required contribution	<u>1,242</u>	<u>(2,600)</u>	<u>(1,300)</u>
Annual pension cost	41,350	31,400	24,000
Contributions made	<u>36,271</u>	<u>21,451</u>	<u>14,827</u>
Increase in net pension obligation	5,079	9,949	9,173
Net pension obligation, beginning of year	<u>(15,033)</u>	<u>35,521</u>	<u>17,864</u>
Net pension obligation, end of year	<u>\$ (9,954)</u>	<u>\$ 45,470</u>	<u>\$ 27,037</u>

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Contribution rates:			
City	4.75%	0%	0%
Plan members	3%	6%	6%
Actuarial valuation date	07-01-07	01-01-07	01-01-07
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed 30 years	Level percentage of projected payroll, closed 30 years	Level percentage of projected payroll, closed 30 years
Amortization period			
Amortization period (from date)	07-01-97	01-01-05	01-01-05
Asset valuation method	75% of expected actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital	4 year phase in of unrealized and realized capital

CITY OF UNION CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Investment rate of return	7.25%	6%	6%
Projected future salary increases:			
Total	5%	4%	4%
Attributed to inflation	4%	4%	4%
Attributed to merit/seniority	1%	0%	0%
Cost-of-living adjustments	2%	2.75/4%*	2.75/4%*

*2.75% converted members; 4% nonconverted members

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-05	\$ 24,406	147%	\$ (12,852)
	06-30-06	32,474	107%	(15,033)
	06-30-07	41,350	88%	(9,954)
1925 Police Officers' Pension Plan	12-31-05	31,200	85%	53,055
	12-31-06	31,000	157%	35,521
	12-31-07	31,400	68%	45,470
1937 Firefighters' Pension Plan	12-31-05	22,800	122%	81,993
	12-31-06	22,800	381%	17,864
	12-31-07	24,000	62%	27,037

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2007, was comprised of the following:

	1925 Police Officers' Pension	1937 Firefighters' Pension
Retirees and beneficiaries currently receiving benefits	3	2

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plans

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

CITY OF UNION CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan for the years ending December 31, 2007, 2006, and 2005, were \$109,928, \$100,925, and \$97,903, respectively, equal to the required contributions for each year.

CITY OF UNION CITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-05	\$ 620,326	\$ 608,034	\$ 12,292	102%	\$ 692,439	2%
07-01-06	630,520	653,464	(22,944)	96%	698,046	(3%)
07-01-07	730,138	755,282	(25,144)	97%	677,505	(4%)

1925 Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-02	\$ 69,816	\$ 473,000	\$ (403,184)	15%	\$ -	-
01-01-03	63,483	467,000	(403,517)	14%	-	-
01-01-04	57,992	450,900	(392,908)	13%	-	-
01-01-05	49,542	451,400	(401,858)	11%	-	-
01-01-06	60,679	443,800	(383,121)	14%	-	-
01-01-07	45,422	440,400	(394,978)	10%	-	-

1937 Firefighters' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-02	\$ 43,833	\$ 595,800	\$ (551,967)	7%	\$ -	-
01-01-03	50,363	342,200	(291,837)	15%	-	-
01-01-04	34,751	331,400	(296,649)	10%	-	-
01-01-05	18,511	338,900	(320,389)	5%	-	-
01-01-06	76,102	334,800	(258,698)	23%	-	-
01-01-07	54,486	333,600	(279,114)	16%	-	-

CITY OF UNION CITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CONTRIBUTIONS FROM THE
EMPLOYER AND OTHER CONTRIBUTING ENTITIES

1925 Police Officers' Pension Plan				
	Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	
			City	State
1925 Police Officers' Pension Plan	12-31-02	\$ 49,500	*	*
	12-31-03	51,000	7%	43%
	12-31-04	51,500	10%	42%
	12-31-05	31,800	17%	67%
	12-31-06	31,700	80%	73%
	12-31-07	31,900	0%	67%
1937 Firefighters' Pension Plan	12-31-02	62,400	*	*
	12-31-03	37,300	9%	48%
	12-31-04	37,800	14%	46%
	12-31-05	23,900	45%	71%
	12-31-06	23,900	284%	80%
	12-31-07	24,200	0%	61%

*The information to separate the percentage between the City and State was not available.

CITY OF UNION CITY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007

	Criminal Justice Equipment	Levy Excess	Local Road and Street	Cemetery	Law Enforcement Continuing Education	Clerk's Records Perpetuation
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ 19,706	\$ -	\$ -
Licenses and permits	-	-	-	-	730	-
Intergovernmental	-	-	22,643	11,744	-	-
Charges for services	-	-	-	18,025	1,240	-
Fines and forfeits	-	-	-	-	-	1,066
Other	-	-	-	-	-	-
Total receipts	-	-	22,643	49,475	1,970	1,066
Disbursements:						
General government	-	-	-	65,827	-	1,233
Public safety	-	-	-	-	1,655	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Public safety	2,269	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	2,269	-	-	65,827	1,655	1,233
Excess (deficiency) of receipts over disbursements	(2,269)	-	22,643	(16,352)	315	(167)
Other financing sources (uses):						
Transfers in	1,068	-	-	-	-	-
Transfers out	-	(4,135)	(26,644)	-	-	-
Total other financing sources (uses)	1,068	(4,135)	(26,644)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,201)	(4,135)	(4,001)	(16,352)	315	(167)
Cash and investment fund balance - beginning	1,895	4,135	16,884	47,182	423	2,644
Cash and investment fund balance - ending	\$ 694	\$ -	\$ 12,883	\$ 30,830	\$ 738	\$ 2,477
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ -	\$ -	\$ 30,830	\$ 738	\$ -
Restricted assets:						
Cash and investments	694	-	12,883	-	-	2,477
Total cash and investment assets - ending	\$ 694	\$ -	\$ 12,883	\$ 30,830	\$ 738	\$ 2,477
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,477
Public safety	694	-	-	-	-	-
Highways and streets	-	-	12,883	-	-	-
Economic development	-	-	-	-	-	-
Unrestricted	-	-	-	30,830	738	-
Total cash and investment fund balance - ending	\$ 694	\$ -	\$ 12,883	\$ 30,830	\$ 738	\$ 2,477

CITY OF UNION CITY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Riverboat	Park and Recreation	Operation Pullover	Ambulance Nonreverting	Sidewalk Replacement	Mowing Fees
Receipts:						
Taxes	\$ -	\$ 152,212	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	22,840	16,781	3,000	-	-	-
Charges for services	-	13,919	-	230,208	-	-
Fines and forfeits	-	-	-	-	-	7,465
Other	-	8,255	-	679	8,343	-
Total receipts	22,840	191,167	3,000	230,887	8,343	7,465
Disbursements:						
General government	10,702	-	-	-	-	-
Public safety	-	-	2,780	154,001	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	133,683	-	-	-	-
Debt service:						
Principal	-	-	-	28,363	-	-
Interest	-	-	-	4,080	-	-
Capital outlay:						
General government	12,026	-	-	-	8,343	-
Public safety	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	6,107	-	-	-	-
Total disbursements	22,728	139,790	2,780	186,444	8,343	-
Excess (deficiency) of receipts over disbursements	112	51,377	220	44,443	-	7,465
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	(6,000)	(1,068)	-	-	-
Total other financing sources (uses)	-	(6,000)	(1,068)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	112	45,377	(848)	44,443	-	7,465
Cash and investment fund balance - beginning	44,615	14,577	1,068	18,261	-	-
Cash and investment fund balance - ending	<u>\$ 44,727</u>	<u>\$ 59,954</u>	<u>\$ 220</u>	<u>\$ 62,704</u>	<u>\$ -</u>	<u>\$ 7,465</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 44,727	\$ 59,954	\$ -	\$ 62,704	\$ -	\$ 7,465
Restricted assets:						
Cash and investments	-	-	220	-	-	-
Total cash and investment assets - ending	<u>\$ 44,727</u>	<u>\$ 59,954</u>	<u>\$ 220</u>	<u>\$ 62,704</u>	<u>\$ -</u>	<u>\$ 7,465</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	220	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Unrestricted	44,727	59,954	-	62,704	-	7,465
Total cash and investment fund balance - ending	<u>\$ 44,727</u>	<u>\$ 59,954</u>	<u>\$ 220</u>	<u>\$ 62,704</u>	<u>\$ -</u>	<u>\$ 7,465</u>

CITY OF UNION CITY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Drug Forfeiture	Revolving Loan	Police Donations	Park Donation	Little Mississinewa River	CEDIT- Program Income
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	25,344	5,044	507	-	2,071
Total receipts	-	25,344	5,044	507	-	2,071
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	3,720	-	-	-
Economic development	-	731	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	47,205	-
Public safety	-	-	-	-	-	-
Economic development	-	-	-	-	-	84,402
Culture and recreation	-	-	-	-	-	-
Total disbursements	-	731	3,720	-	47,205	84,402
Excess (deficiency) of receipts over disbursements	-	24,613	1,324	507	(47,205)	(82,331)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	24,613	1,324	507	(47,205)	(82,331)
Cash and investment fund balance - beginning	491	116,241	476	19,319	56,306	200,330
Cash and investment fund balance - ending	<u>\$ 491</u>	<u>\$ 140,854</u>	<u>\$ 1,800</u>	<u>\$ 19,826</u>	<u>\$ 9,101</u>	<u>\$ 117,999</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 491	\$ 140,854	\$ 1,800	\$ 19,826	\$ 9,101	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	117,999
Total cash and investment assets - ending	<u>\$ 491</u>	<u>\$ 140,854</u>	<u>\$ 1,800</u>	<u>\$ 19,826</u>	<u>\$ 9,101</u>	<u>\$ 117,999</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	117,999
Unrestricted	491	140,854	1,800	19,826	9,101	-
Total cash and investment fund balance - ending	<u>\$ 491</u>	<u>\$ 140,854</u>	<u>\$ 1,800</u>	<u>\$ 19,826</u>	<u>\$ 9,101</u>	<u>\$ 117,999</u>

CITY OF UNION CITY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Cemetery Nonreverting	Cumulative Capital Improvement	Cumulative Capital Development	Park Nonreverting	Industrial Development	Totals
Receipts:						
Taxes	\$ -	\$ -	\$ 19,869	\$ -	\$ -	\$ 191,787
Licenses and permits	-	-	-	-	-	730
Intergovernmental	-	12,722	912	-	-	90,642
Charges for services	7,700	-	-	7,853	-	278,945
Fines and forfeits	-	-	-	-	-	8,531
Other	4,900	-	-	9,097	-	64,240
Total receipts	12,600	12,722	20,781	16,950	-	634,875
Disbursements:						
General government	700	11,450	-	-	-	89,912
Public safety	-	-	11,528	-	-	173,684
Economic development	-	-	-	-	-	731
Culture and recreation	-	-	-	8,193	-	141,876
Debt service:						
Principal	-	-	-	-	-	28,363
Interest	-	-	-	-	-	4,080
Capital outlay:						
General government	-	-	-	-	-	67,574
Public safety	-	-	8,400	-	-	10,669
Economic development	-	-	-	-	-	84,402
Culture and recreation	-	-	-	25,356	-	31,463
Total disbursements	700	11,450	19,928	33,549	-	632,754
Excess (deficiency) of receipts over disbursements	11,900	1,272	853	(16,599)	-	2,121
Other financing sources (uses):						
Transfers in	-	-	-	6,000	-	7,068
Transfers out	-	-	-	-	-	(37,847)
Total other financing sources (uses)	-	-	-	6,000	-	(30,779)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	11,900	1,272	853	(10,599)	-	(28,658)
Cash and investment fund balance - beginning	118,756	44,249	60,422	16,434	4,049	788,757
Cash and investment fund balance - ending	<u>\$ 130,656</u>	<u>\$ 45,521</u>	<u>\$ 61,275</u>	<u>\$ 5,835</u>	<u>\$ 4,049</u>	<u>\$ 760,099</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 130,656	\$ -	\$ -	\$ 5,835	\$ 4,049	\$ 519,030
Restricted assets:						
Cash and investments	-	45,521	61,275	-	-	241,069
Total cash and investment assets - ending	<u>\$ 130,656</u>	<u>\$ 45,521</u>	<u>\$ 61,275</u>	<u>\$ 5,835</u>	<u>\$ 4,049</u>	<u>\$ 760,099</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
General government	\$ -	45,521	\$ -	\$ -	\$ -	\$ 47,998
Public safety	-	-	61,275	-	-	62,189
Highways and streets	-	-	-	-	-	12,883
Economic development	-	-	-	-	-	117,999
Unrestricted	130,656	-	-	5,835	4,049	519,030
Total cash and investment fund balance - ending	<u>\$ 130,656</u>	<u>\$ 45,521</u>	<u>\$ 61,275</u>	<u>\$ 5,835</u>	<u>\$ 4,049</u>	<u>\$ 760,099</u>

CITY OF UNION CITY
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PENSION TRUST FUNDS
 For The Year Ended December 31, 2007

	Firemen's Pension	Police Pension	Totals
Additions:			
Contributions:			
Employer	\$ 102	\$ 38	\$ 140
State	<u>14,725</u>	<u>21,413</u>	<u>36,138</u>
Total additions	<u>14,827</u>	<u>21,451</u>	<u>36,278</u>
Deductions:			
Benefits	35,561	35,357	70,918
Administrative and general	<u>882</u>	<u>1,351</u>	<u>2,233</u>
Total deductions	<u>36,443</u>	<u>36,708</u>	<u>73,151</u>
Deficiency of total additions over total deductions	(21,616)	(15,257)	(36,873)
Cash and investment fund balance - beginning	<u>76,102</u>	<u>60,679</u>	<u>136,781</u>
Cash and investment fund balance - ending	<u><u>\$ 54,486</u></u>	<u><u>\$ 45,422</u></u>	<u><u>\$ 99,908</u></u>

CITY OF UNION CITY
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For the Year Ended December 31, 2007

	City Court User Fee	Payroll	City Court	Totals
Additions:				
Agency fund additions	\$ 6,365	\$ 1,720,656	\$ 95,390	\$ 1,822,411
Deductions:				
Agency fund deductions	5,268	1,718,069	92,891	1,816,228
Excess of total additions over total deductions	1,097	2,587	2,499	6,183
Cash and investment fund balance - beginning	14,336	20,880	13,307	48,523
Cash and investment fund balance - ending	\$ 15,433	\$ 23,467	\$ 15,806	\$ 54,706

CITY OF UNION CITY
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2007

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets completed in the current and prior years have been reported. Retroactive reporting of general infrastructure assets will not occur.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 70,840
Infrastructure	212,984
Buildings	937,727
Improvements other than buildings	469,518
Machinery and equipment	1,946,422
Construction in progress	<u>84,402</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 3,721,893</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 132,712
Buildings	678,446
Improvements other than buildings	2,145,414
Machinery and equipment	<u>932,550</u>
Total Water Utility capital assets	<u>3,889,122</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	60,335
Construction in progress	1,762,473
Buildings	851,666
Improvements other than buildings	10,599,318
Machinery and equipment	<u>460,977</u>
Total Wastewater Utility capital assets	<u>13,734,769</u>
Total business-type activities capital assets	<u>\$ 17,623,891</u>

CITY OF UNION CITY
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2007

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Notes and loans payable:		
2001 Ambulance	\$ 26,401	\$ 14,220
2006 Ambulance	93,181	23,012
1997 Fire Tanker	55,500	55,500
Heart Monitors	<u>8,187</u>	<u>6,717</u>
Total governmental activities debt	<u><u>\$ 183,269</u></u>	<u><u>\$ 99,449</u></u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
Waterworks Bonds of 1997	<u>380,000</u>	<u>10,213</u>
Wastewater Utility		
Revenue bonds:		
Sewage Works Refunding Bonds of 2001	1,745,000	114,263
State Revolving Loan Funds		
Loan No. WW0558681	<u>1,496,086</u>	<u>*</u>
Total Wastewater Utility	<u><u>1,745,000</u></u>	<u><u>114,263</u></u>
Total business-type activities debt	<u><u>\$ 3,621,086</u></u>	<u><u>\$ 124,476</u></u>

* A maximum draw of \$1,720,000 was approved for this loan. As of December 31, 2007, \$1,496,086 had been drawn and \$0 had been repaid. Annual debt service requirements for the loan will not be determined until the final draw down has been made on the loan.

CITY OF UNION CITY
OTHER REPORT

The annual report presented herein was prepared in addition to the official report prepared for the individual City office listed below:

Park and Cemetery Superintendent

CITY OF UNION CITY
AUDIT RESULTS AND COMMENTS

CITY COURT - TRUST REGISTERS

As reported in prior Reports B25983 and B31029 and during the current audit period, the City Court financial records presented for audit did not include a trust register for cash bonds or restitution. We also noted a cash bond held for over five years that had not been remitted to the Attorney General as unclaimed property.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledgers, and reconciled bank balance should agree. If the reconciled balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 4)

Each city and town court is required to use official records and forms that are designated by the legislature or prescribed or approved by the State Board of Accounts or the State Court Administration office of the Supreme Court. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 1)

Indiana Code 32-34-1-20(c)(6) states: "For property or proceeds held by a court or a court clerk, five (5) years after the property or proceeds become distributable. The property or proceeds must be treated as unclaimed property under IC 32-34-3."

CITY COURT - PARTIAL PAYMENTS

As reported in prior Report B31029 and during the current audit period, the City Court does not have a written policy addressing the acceptance of partial payments.

Each court should establish written guidelines for handling refunds and NSF checks. Such policy should also address whether the court will accept partial payment of court cost, fines and fees which are due. (Accounting and Uniform Compliance Guidelines Manual for City and Town Courts, Chapter 4)

FUEL PROCEDURES

A review of procedures for recording the usage of fuel indicated the following weaknesses:

1. There were material differences between the usage per the pump readings and the usage per the fuel reports. A comparison of usage per the pump readings to usage per the fuel reports was made for the audit period. Usage per the pump readings exceeded usage per the fuel reports for diesel and unleaded fuel by 655 and 734 gallons respectively for the period January 2007 to September 2007. The unit did not compare usage per the pump readings to usage per the fuel reports for the period October 2007 to December 2007.
2. A comparison of individual fuel tickets to usage per the fuel reports were made for April 2007, June 2007, and August 2007. Individual fuel tickets did not agree with department fuel reports for all departments for the months of April 2007 and August 2007. In April 2007, fuel reports reflected a total of 35 gallons more than the individual fuel tickets. In June 2007, fuel reports and individual fuel tickets materially agreed. In August 2007, fuel reports reflected 685 gallons less than the individual fuel tickets.

CITY OF UNION CITY
AUDIT RESULTS AND COMMENTS
(Continued)

3. Information per the individual fuel tickets was not always legible.
4. Each department was using the same fuel ticket form; however, fuel usage report forms varied by department.
5. No fuel records were maintained by the Wastewater Utility, Park and Cemetery Departments for 2007.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CREDIT CARD AND TRAVEL CLAIMS

Records presented for audit included claims for reimbursement and credit card disbursements for meals. Detailed food purchases were not always documented. There were meal purchases supported by a credit card slip only rather than a detailed invoice. Specific detailed information such as individuals for who amounts were claimed and the nature and purpose of the meeting were not noted in some instances. Detailed documentation was not attached to the information presented for reimbursement which would enable a determination that all expenses were for employees conducting governmental business.

Some credit card claims did not contain invoices to support the credit card statements or the supporting invoice did not agree with the amount per the credit card statement.

Ordinance 2004-03, authorizing the acquisition of a credit card for the City, states in part: "If claims are not properly itemized and documented, those claims shall be returned to the employee user for correction." Claims not properly itemized were not returned to the responsible employee for correction.

All claims, invoices, receipts, accounts payable vouchers, including those presented to the governing body for approval in accordance with Indiana Code 5-11-10, should contain adequate detailed documentation. All claims, invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for whom amounts are claimed, including the nature, name and purpose of the business meeting, to enable the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim may be the personal obligation of the responsible official, employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF UNION CITY
AUDIT RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS - PARK

Controls over the receipting and accounting for the financial activities of the swimming pool were insufficient. Initially, a Daily Cash Receipts Report was completed by the cashier. The cashier documented on the report a tally of each type of attendee (adult, student, etc.) and computed revenue collected by calculating attendees by the ticket price. The cashier did not reconcile the cash collected to the report. The Pool Manager completed a second Daily Cash Receipts Report after reconciling the Daily Cash Receipts Report prepared by the cashier to the actual cash collected. The report completed by the Pool Manager was submitted to the Clerk-Treasurer with the corresponding deposit slip. The cashier and Pool Manager both signed the second report completed. The Park Department was not using a tape in their cash register. Since the original Daily Cash Receipts Report was not remitted to the Clerk-Treasurer and cash register tapes were not maintained and compared to the reports completed, the validity of the daily pool collections could not be verified.

It was noted that 18 of the 28 collections tested were not deposited by the next business day.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-13-6-1(d) states in part: "A city or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories selected by the city or town as provided in an ordinance adopted by the city or the town and approved as depositories of state funds."

EDIT DISBURSEMENTS AND OBLIGATIONS

In 2007, the City disbursed \$125,000 to a local ethanol plant. There was a letter on file, which was signed by the Mayor, that stated in part: "This letter is a non-binding agreement that the City of Union City will provide up to One-hundred Twenty Five Thousand Dollars (\$125,000) if the location of the ethanol plant is within the Union City - Harrisville region."

Indiana Code 6-3.5-7-13.1(b) states in part: "Except as provided in sections 15, 23, 25, 26, and 27 of this chapter, revenues from the county economic development income tax may be used as follows: . . . (3) By a county, city, or town for any lawful purpose for which money in any of its other funds may be used . . ."

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Generally, public funds may not be used to make improvements to property not owned by the governmental unit, unless permitted by statute, federal or state requirements, or safety concerns. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
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Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE CITY OF UNION CITY, RANDOLPH COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Union City (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2007. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A control deficiency in a City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

This report is intended solely for the information and use of the City's management, Board of Public Works, Common Council, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 18, 2008

CITY OF UNION CITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2007

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Office of Community and Rural Affairs Community Development Block Grants/State Program and Non-Entitlement Grants in Hawaii	14.228		
		PI-07-001	\$ 136,218
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Randolph County State and Community Highway Safety	20.600		
		PT-08-04-01-07	2,070
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Finance Authority Capitalization Grants for Clean Water State Revolving Funds	66.458		
		WW0558681	611,013
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Department of Homeland Security Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		
		EM 3274	5,896
Total federal awards expended			\$ 755,197

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF UNION CITY
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Union City (City) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF UNION CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted?	no
---	----

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no
--	----

Identification of Major Program:

CFDA Number	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	no
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Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF UNION CITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF UNION CITY
EXIT CONFERENCE

The contents of this report were discussed on August 18, 2008, with Anita Amspaugh, Clerk-Treasurer; Bryan Conklin, Mayor; Tim Heuss, member of the Common Council; and Monte Poling, City Manager. The official response has been made a part of this report and may be found on pages 47 and 48.

The contents of this report were discussed on August 19, 2008, with Judge William Fields.

September 2, 2008

Mr. Bruce Hartman, CPA, State Auditor
Indiana State Board of Accounts
302 W. Washington
Indianapolis, IN 46204

Dear Mr. Hartman:

The Indiana State Board of Accounts recently presented their audit results and comments for the City of Union City and we would like to take this opportunity to respond to their findings by outlining the course of action we will follow to resolve the issues raised by the examiners:

- Fuel Procedures:

Finding: The audit noted material differences between the usage per the pump readings and the usage per the fuel reports.

Response: City employees who use the fuel pumps to refuel City vehicles are required to fill out a fuel log ticket which includes: date, department, vehicle number/type, mileage, fuel type and fuel amount. The log must then be initialed by the City employee. Apparently, these logs have not been completed for all incidents of refueling. In the future, the City of Union City will strive to be more stringent in requiring City employees to complete the reporting of fuel usage.

- Credit Card & Travel Claims:

Finding: The audit noted that credit card records presented for audit included claims for reimbursement and credit card disbursements with incomplete documentation.

Response: The City realizes the importance of accurate documentation when making purchases using the City credit card. Ordinance 2004-03 outlines the policy for credit card use, copies of which will be distributed to all department supervisors for use as a guideline for credit card purchases.

Bryan Conklin
Mayor

Anita Amspaugh
Clerk/Treasurer

Ron Holt, Jr.
Greg Harshman
Jim Hufford
Tim Heuss
Chad Spence
Council Members

William Bradbury
Chief of Police

Tim Crawford
Fire Chief

Linda Stemmer
City Attorney

Monte Poling
City Manager

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- Internal Controls:

Finding: The audit revealed that the manager & employees of the City swimming pool were not using a paper tape in the cash register to record daily pool receipts.

Response: The City realizes the importance of checks and balances and realizes that a paper trail is very important in verifying the validity of the daily pool collections. In the future a cash register tape will be required with each deposit presented by the swimming pool manager for the purpose of auditing.

- EDIT Disbursement and Obligations

Finding: The audit noted that the City disbursed \$125,000 to a local ethanol plant. The audit stated that this is not allowed under IC 6-3.5-7-13.1(b).

Response: The City strongly disagrees with this comment on the basis of IC 6-3.5-7-13.1 Version a which states that EDIT monies can be used as follows: ***Section 13.1(b)(1) ...part of the interest owed by a private developer or user on a loan extended by a financial institution...; (c)(1)(A) promote significant opportunities for the gainful employment of its citizens, (c)(1)(B) attract a major new business enterprise to the unit; (c)(1)(C) retain or expand a significant business enterprise within the unit.*** We also cite (c)(2) of the same Indiana Code which lists any accepted EDIT expenditures. As a note, many other Indiana communities have been involved in similar projects in the past. We request that this matter be researched further as this will require a significant policy change in our economic development plan.

Respectfully,

Anita Amspaugh
Clerk-Treasurer